

18 September 2008

## **Straumur's exposure to Lehman Brothers**

Subsequent to the Chapter 11 filing of Lehman Brothers Holdings, Inc, Straumur-Burdaras Investment Bank hf. ("Straumur") wishes to provide the following information to clarify its exposure to Lehman Brothers.

Straumur has no direct exposure to Lehman Brothers Holdings, Inc, whether in the form of investments in equity, senior or subordinated debt, loans, issued letters of credit or otherwise.

However, Straumur has exposure to the UK based Lehman Brothers International (Europe) ("LBIE"), mainly on account of LBIE acting as one of Straumur's prime brokers and its principal counterparty to a number of derivatives transactions.

As of 15 September 2008 Straumur had, in relation to the brokering service provided by LBIE, posted collateral with LBIE totalling €48.2m in cash and €16.8 in equities. This now represents a claim by Straumur. In addition, the net marked to market gain on the derivatives portfolio owed to Straumur is €6.0m. The brokering service and the associated portfolio have now been wound up at insignificant cost to Straumur.

Secondly, Straumur had sold, partially as a hedge for a customer-generated transaction, credit protection referencing Lehman Brothers Holding, Inc with a notional value of €29m.

Given the current uncertainty of the actions and timetable of the appointed administrators with regards to the exact legal treatment of the various claims of repayment, Straumur is not in a position at this time to provide an estimate of the possible loss on this exposure, if any.

Any loss arising from this exposure would have no significant impact on Straumur's liquidity position and given the bank's strong CAD-ratio it would have a very limited effect on capital adequacy.

William Fall, CEO of Straumur:

"Over the course of the past two years or so we have successfully de-risked Straumur's balance sheet by greatly reducing the bank's equity exposure, and we have introduced a rigorous risk management regime. While we have thus sought to minimise market risk and the risk of trading losses, we can obviously not prevent a counterparty failure. With regulatory capital of 1.1 billion euros at the end of the second quarter and an

exceptionally high capital adequacy ratio (CAD) of 25.4% against the required minimum of 8%, which translates into excess regulatory capital of 766 million euros, Straumur is very well equipped to manage any loss that might result from this unfortunate event. It is important to note, however, that given the many uncertainties, for example regarding the potential sale of the particular Lehman-business Straumur had dealings with, that speculation as to the extent of such a loss is clearly premature at this stage.”

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**About Straumur**

Straumur (STRB) is a Northern and Central European investment bank offering a complete range of integrated financial services focusing on small and medium sized companies, institutional investors and individuals. The services provided include capital markets, corporate finance, debt finance, and asset management.

Headquartered in Reykjavík, Straumur is Iceland's largest pure-play investment bank. The Bank has total assets of €6,201m as at the end of Q2 2008 and a long-term investment rating of BBB- from Fitch. Through organic growth and strategic acquisitions, the Bank has established operations in ten countries including the UK, Denmark, Sweden, Finland and the Czech Republic and now employs a team of 520 people. Straumur is rapidly delivering against its objectives to become the leading investment bank in Northern and Central Europe. [www.straumur.com](http://www.straumur.com)